INFORMED BUDGETEER

CURRENT LEVEL AND THE SUPPLEMENTAL

- "Current level" represents the estimated revenue and spending effects of all legislation that Congress has enacted. The Congressional Budget Office issues periodic current level reports that compare the budgetary effects of enacted legislation to the targets and ceilings set in the current Budget Resolution.

- The current level report is the basis for points of order in the Senate under Section 311 of the Budget Act. Section 311 prohibits consideration of legislation that would result in aggregate spending levels exceeding the first fiscal year covered by the Budget Resolution.

- The report for the end of the first session of the 105th Congress shows that current level for on-budget outlays for 1998 is $1.7 billion over the Budget Resolution ceiling (and $2.1 billion over budget authority). This results from the Balanced Budget Act of 1997 (BBA) including more spending than assumed under the reconciliation instructions of the 1998 Budget Resolution.

- In particular, the BBA provided $24 billion in a children's health insurance initiative, $8 billion more than assumed in the Budget Resolution, including $2.3 billion in 1998.

- This means that any legislation in the second session of the 105th Congress that would increase budget authority or outlays in 1998 without sufficient offset to make the net effect zero would face a Section 311 point of order. The supplemental appropriations bill that passed the Senate, on March 26, violated Section 311, but no point of order was raised.

FY 1998 CURRENT LEVEL REPORT
(In billions of dollars)

	Budget Resolution H.Con.Res.84	Current Level	Level Over/under Resolution
On-Budget			
Budget Authority	1,387.6	1,389.7	2.1
Outlays	1,372.5	1,374.2	1.7
Revenues:			
1998	1,199.0	1,197.4	-1.6
1998-2002	6,477.7	6,479.5	1.8
Deficit	173.5	176.8	3.5
Debt Subject to Limit	5,593.5	5,360.2	-233.3
Off-Budget			
Social Security Outlays:			
1998	317.6	317.6	0.0
1998-2002	1,722.4	1,722.4	0.0
Social Security Revenues			
1998	402.8	402.7	-0.1
1998-2002	2,212.1	2,212.3	0.2

SOURCE: CBO, December 19,1997.

EMERGENCY SUPPLEMENTAL EXPANDS

- The Senate-passed Emergency Defense and Disaster Supplemental Appropriations bill (S. 1768) expanded to about $5.2 billion for 1998, as the effects of El Nino have increased. When reported by the Senate Appropriations committee, the supplemental included a total of $3.3 billion for Bosnia, natural disaters, and non-emergency items.

- On the floor, the Senate approved an additional $1.6 billion requested by the President on March 24 for the Federal Emergency Management Agency (FEMA). These funds are provided on a "contingent" basis and are to be used for disasters that have occurred in FY 1998 and in previous years.

- The Senate also added $260 million for the Community Development Block Grant (CDBG) program to help communities respond to disasters declared this fiscal year, and some smaller amounts targeted to specific disaster needs. Finally the Senate Approved a Robb amendment to increase non-emergency agriculture spending by $80 million.

- Amendments to delete or limit the "emergency" designation for the Bosnia funding, disaster funding, and the new FEMA funding were defeated by the full Senate.

BUDGET RESOLUTION CONSIDERATION PROCEDURES

- The Senate began debate on S. Con. Res. 86, the FY 1999 concurrent resolution on the budget on Friday March 27th. It is anticipated that all floor action will be completed prior to the Senate's adjournment for the April recess. Good budgeteers will remember that there are special rules for the consideration of budget resolutions on the floor of the Senate.

- **Debate:** Once the budget resolution is before the Senate, debate on the resolution, amendments, motions, and appeals is limited to 50 hours, equally divided and controlled by the Majority and the Minority Leader, or their designees. The Chairman and Ranking Member of the Budget Committee are usually designated as the Majority and Minority Managers. The Managers may yield time from the 50 hours during the debate.

- Within the overall limit of 50 hours, debate on first degree amendments is limited to 2 hours and debate on second degree amendments, debatable motions and appeals is limited to 1 hour. Time for debate on these items is equally divided and controlled by the mover and the majority manager of the resolution, unless the majority manager is in favor, in which case the time in opposition is under the control of the minority manager.

- Points of Order and other procedural motions against amendments are not in order prior to the expiration or yielding back of time on that amendment. In addition, the time used on an amendment is taken from the time under the control of the Managers equally, regardless of the time each side on the amendment used.

- **Amendments:** Amendments to the budget resolution must be germane. The committee-reported resolution forms the basis for germaneness. Amendments to strike language, change of dates or numbers, or sense of the Senate/Congress language whose subject is in the jurisdiction of the Budget Committee are considered to be per se germane. All other amendments are evaluated on a case by case basis. A vote of three-fifths of the Senators duly chosen and sworn is required to waive the germaneness requirement or to overturn the ruling of the Chair.

- Senate procedures generally provide that a single amendment may not amend the underlying measure in more than one place and an amendment that did so would be subject to a simple majority point of order. However, the Budget Act waives this prohibition for amendments to the budget resolution, if the changes are required to maintain the mathematical consistency of the budget resolution.

- **Points of Order:** The Congressional Budget Act subjects the budget resolution to points of order for various breaches of content prohibitions. Below is a list:

Section	If Resolution or Amendment:	Waiver
301 (g)	is based on more than one set of economic assumptions.	Majority
301 (I)	reduces the Social Security surplus.	3/5ths
305 (b)(2)	is non-germane.	3/5ths
305 (d)	is not mathematically consistent.	Majority
312 (b)	Exceeds the caps.	3/5ths

- **Miscellaneous Procedures:** A motion to further limit debate is in order and is not debatable. A motion to recommit the budget resolution is in order if it instructs the committee to report back in a period of time not to exceed 3 days. Such motion is debatable for

1 hour and the time is controlled by the mover and Majority manager.

HOUSE ROAD RAGE: THE STORY THEY DON'T WANT YOU TO KNOW

- With the House set to take up their version of ISTEA next week, the *Bulletin* is once again hearing the drumbeat of those who want to take the transportation trust funds off-budget.

- Members of Congress who support taking these trust funds off-budget have called the current system "simple fraud". Supporters go on to say that all Americans "are tired of the dishonest practice by which dedicated taxes are hoarded instead of being used" for transportation purposes.

- The *Bulletin* would like to set the record straight, again. The Highway Trust Fund, since its inception in 1956 to today, has not been a party to any fraud on the American people. Since 1956, every nickel and dime paid by Americans at the gas pump into the Highway Trust Fund has been paid out **and more**.

- From 1956 through 1997, total Highway Trust Fund receipts from gas taxes total $366.6 billion, while expenditures during the same time period total $371.9 billion. Simple fraud? The Highway Trust Fund has spent $5.3 billion more over its life then what it has taken in through gas taxes.

- Even more alarming was a recent GAO study of the Highway Trust Fund. While the House and the concrete lobby decries the "trust" that is being broken with the American people, GAO points out that the trust fund should currently have a negative balance of $152.7 billion.

- Why? GAO estimates that from 1957 through 1996, the General Fund paid for highway construction and improvements totaling $39.3 billion. If these expenses had instead been paid through the Highway Trust Fund, the resulting loss of interest earned to the trust fund would be $124.9 billion. In short, if the Highway Trust Fund had paid for all federal highway expenditures since 1956, the **real** balance in the Highway Trust Fund today would be a **negative $152.7 billion**.

- Remember this negative balance, coupled with the fact that all Highway Trust Fund gas tax revenues have been paid out to Americans, the next time you hear one of those morning drive-time radio ads decrying this "highway robbery". If this is highway robbery of the Highway Trust Fund, imagine what would happen if Congress allows this trust fund to grow unchecked by the Balanced Budget Agreement.

ECONOMICS

EMU DRAWS CLOSER

- After much anticipation, the European Commission (EC) and the European Monetary Institute (EMI) have given their recommendations as to which EU nations are eligible to join the upcoming European Monetary Union (EMU). As expected, they listed 11 of the 15 EU nations: Germany, France, the Netherlands, Belgium, Luxembourg, Austria, Ireland, Finland, Spain, Portugal and Italy. The UK, Sweden and Denmark have opted not to join EMU in the first round, while Greece does not meet the entry requirements.

- These recommendations will provide the foundation for the official selection of EMU members at the EU Heads of State Summit in early May. Once EMU members are selected, their bilateral exchange rates will be pegged, in preparation for the launch of the new unified European currency (the euro) and the start of EMU on January 1, 1999.

- The EC and EMI recommendations were based on the nations' success in meeting the main EMU entry requirements: 1) a low inflation rate, 2) low long-term interest rates, 3) a fiscal deficit at or below 3 percent, 4) a stable currency and 5) a debt to GDP ratio at or below 60 percent. The relative independence of their central banks was also considered.

- All of the 11 EMU-ready nation met the inflation, interest rate and fiscal deficit targets. However, only four nations (France, Luxembourg, Finland and the UK) met the debt target. The EC and EMI were generous in their interpretation of the debt criterion, arguing that the other seven contending nations comply because they have falling debt to GDP ratios (except in Germany due the extraordinary circumstance of reunification).

- The EC and EMI noted that European nations have made considerable progress in bringing down their fiscal deficits as a share of GDP. While one-time savings (for example, asset sales) may have shaved their deficits by anywhere from 0.1 to 1.0 percentage points, the EC argues that structural deficit reduction has been undertaken nonetheless. The EMI notes that the debt to GDP ratio for all of the EU declined in 1997 for the first time during the 1990s.

- The EMI adopted a more cautious tone in its report than did the EC, stressing the need for further macroeconomic reforms in prospective EMU entrants. In particular, they argued that Italy and Belgium should be running large primary surpluses given the high present level of their debt to GDP ratio. Furthermore, they stressed the need for labor market de-regulation and plans to deal with the fiscal strains of an aging population.

- Following its launch, the EMU-bloc will have a share of world GDP and trade that is comparable to that of the US.

Current Performance of EMU Members In Relation to Convergence

	Jan. 98		% of GDP- Jan. 1997	
	Inflation	Interest Rates*	Debt	Deficit
Reference	2.7	7.8	60	3
Belgium	1.4	5.7	122.2	2.1
Finland	1.3	5.9	55.8	0.9
Germany	1.4	5.6	61.3	2.7
Portugal	1.8	6.2	62.0	2.5
Spain	1.8	6.3	68.8	2.6
France	1.2	6.5	58.0	3.0
Ireland	1.2	6.2	66.3	-0.9
Italy	1.8	6.7	121.6	2.7
Luxembourg	1.4	5.6	6.7	-1.7
Netherlands	1.8	5.5	72.1	1.4
Austria	1.1	5.6	66.1	2.5

*Long Term Interest Rates, SOURCE: EC, March 1998.

QUOTE OF NOTE

"The construction and renovation of school facilities has traditionally been the responsibility of state and local governments, financed primarily by local tax payers; **we are opposed to the creation of a new federal grant program for school construction.** (Emphasis added)"

President Clinton's FY 1996, Department of Education, Justification of Appropriations Estimate, Volume I, pg. D-40.